

VILLAGE OF CENTRAL LAKE  
CENTRAL LAKE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name Village of Central Lake	County Antrim
Fiscal Year End February 28, 2007		Opinion Date June 22, 2007		Date Audit Report Submitted to State July 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA	License Number 11050	

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## INTRODUCTORY SECTION

**Village of Central Lake  
List of Elected Officials and Village Officers  
February 28, 2007**

Larry Eckhardt	President
Brian Patton	President Pro Tem/ Trustee
Greta Powers	Clerk/Treasurer
Karen Thomas	Trustee
Lela Clark	Trustee
Ken Kruse	Trustee
Denise Batterbee-Arnold	Trustee
David Kotwick	Trustee
Laura Malburg	Deputy Clerk/ Recording Secretary

## FINANCIAL SECTION

### **INDEPENDENT AUDITORS' REPORT**

Members of the Village Council  
Village of Central Lake  
Central Lake, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Central Lake, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Central Lake  
Independent Auditors' Report  
Page Two

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Sany & Tardiff, A.P.C.*

June 22, 2007



## **BASIC FINANCIAL STATEMENTS**

**Village of Central Lake  
Statement of Net Assets  
February 28, 2007**

	<b>Governmental</b>	<b>Business -Type</b>	<b>Totals</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 298,072	\$ 321,212	\$ 619,284
Receivables, net	16,604	31,476	48,080
Inventory		9,000	9,000
Restricted cash		72,730	72,730
Prepaid expenses	4,342		4,342
Due from other funds	6,271		6,271
Capital assets (net of accumulated depreciation):			
Land and improvements	16,400	51,070	67,470
Machinery and equipment	85,484	31,494	116,978
Vehicles	34,021		34,021
Parks & recreation	11,134		11,134
Streetscape improvements	596,986		596,986
Sewer system		598,555	598,555
Water system		710,481	710,481
	<u>1,069,314</u>	<u>1,826,018</u>	<u>2,895,332</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable	7,502	1,475	8,977
Accrued interest		2,948	2,948
Customer deposits		3,134	3,134
Due to other funds		6,271	6,271
Noncurrent liabilities:			
Due within one year		25,000	25,000
Due in more than one year		280,000	280,000
	<u>7,502</u>	<u>318,828</u>	<u>326,330</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	744,025	1,086,600	1,830,625
Restricted for:			
Debt service		72,730	72,730
Unrestricted	<u>317,787</u>	<u>347,860</u>	<u>665,647</u>
Total net assets	<u>\$1,061,812</u>	<u>\$1,507,190</u>	<u>\$2,569,002</u>

See notes to financial statements

Village of Central Lake  
Statement of Activities  
For the Year Ended February 28, 2007

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 9,197	\$	\$	\$
General				
Government	63,134			
Public safety	70,978	2,038	1,296	
Public works	211,835		3,660	
Community/ economic				
development	2,758			
Recreation & culture	48,825			
Other	<u>64,574</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	471,301	2,038	4,956	
Business-type activities:				
Sewer	45,205	23,965		5,625
Water	<u>103,523</u>	<u>99,380</u>	<u></u>	<u></u>
Total	<u>\$ 620,029</u>	<u>\$125,383</u>	<u>\$ 4,956</u>	<u>\$ 5,625</u>

General revenues:

Property taxes & administrative fees  
State aid  
Interest earnings  
Rentals  
Miscellaneous  
Sale of assets  
Refunds and rebates

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net(Expense) Revenue and  
Changes in Net Assets**

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<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
\$ ( 9,197)	\$	\$ ( 9,197)
( 63,134)		( 63,134)
( 67,644)		( 67,644)
( 208,175)		( 208,175)
( 2,758)		( 2,758)
( 48,825)		( 48,825)
<u>( 64,574)</u>	<u></u>	<u>( 64,574)</u>
( 464,307)		( 464,307)
	( 15,615)	( 15,615)
	<u>( 4,143)</u>	<u>( 4,143)</u>
<u>( 464,307)</u>	<u>( 19,758)</u>	<u>( 484,065)</u>
256,175	50,610	306,785
170,450	68,306	238,756
8,596	15,601	24,197
103,103		103,103
806		806
936	750	1,686
<u>3,469</u>	<u></u>	<u>3,469</u>
<u>543,535</u>	<u>135,267</u>	<u>678,802</u>
79,228	115,509	194,737
<u>974,693</u>	<u>1,403,055</u>	<u>2,377,748</u>
<u>\$1,053,921</u>	<u>\$1,518,564</u>	<u>\$ 2,572,485</u>

Village of Central Lake  
Balance Sheet  
Governmental Funds  
February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 103,112	\$ 1,268	\$123,383	\$ 227,763
Receivables		12,126	4,478	16,604
Prepaid expenses	4,342			4,342
Due from other funds	<u>6,271</u>			<u>6,271</u>
Total assets	<u>\$ 113,725</u>	<u>\$ 13,394</u>	<u>\$127,861</u>	<u>\$ 254,980</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,550	\$ 121	\$	\$ 3,671
Total liabilities	<u>3,550</u>	<u>121</u>		<u>3,671</u>
Fund balances:				
Unreserved, reported in:				
General fund	110,175			110,175
Major street fund		13,273		13,273
Local street fund			<u>127,861</u>	<u>127,861</u>
Total fund balances	<u>110,175</u>	<u>13,273</u>	<u>127,861</u>	<u>251,309</u>
Total liabilities and fund balances	<u>\$ 113,725</u>	<u>\$ 13,394</u>	<u>\$127,861</u>	<u>\$ 254,980</u>

See notes to financial statements

Village of Central Lake  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
February 28, 2007

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 251,309
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Capital assets used in governmental  
activities are not financial resources  
and therefore are not reported as assets  
in governmental funds:

Cost of capital assets	1,194,789
Accumulated depreciation	( 450,764)

Internal service funds are used by management  
to charge the costs of equipment to  
individual funds. The assets and liabilities  
of the internal service funds are included  
in governmental activities in the  
statement of net assets.

66,478

Total Net Assets - Governmental Activities	<u>\$ 1,061,812</u>
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See notes to financial statements

**Village of Central Lake**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**Governmental Funds**  
**For the Year Ended February 28, 2007**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 193,465	\$	\$ 62,710	\$ 256,175
Intergovernmental revenue from state:				
State revenue sharing	88,597			88,597
Liquor license fees	1,296			1,296
Streets & highways		59,330	22,523	81,853
Metro Act payment		3,660		3,660
Fines and forfeits	2,038			2,038
Interest earnings	2,702	72	5,822	8,596
Rents and royalties	43,518			43,518
Other revenue:				
Miscellaneous	903			903
Sale of assets	50			50
All other refunds and rebates	969	2,500		3,469
Total revenues	<u>333,538</u>	<u>65,562</u>	<u>91,055</u>	<u>490,155</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	9,197			9,197
General government	63,134			63,134
Public safety	70,978			70,978
Public works	60,925	46,090	23,069	130,084
Community/economic development	2,758			2,758
Recreation & culture	45,538			45,538
Other	64,574			64,574
Capital outlay	<u>11,720</u>	<u>36,219</u>	<u>1,808</u>	<u>49,747</u>
Total expenditures	<u>328,824</u>	<u>82,309</u>	<u>24,877</u>	<u>436,010</u>
Excess(deficiency) of revenues over(under) expenditures	4,714	( 16,747)	66,178	54,145
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in(out)	<u></u>	<u>70,000</u>	<u>(70,000)</u>	<u></u>
Net changes in fund balances	4,714	53,253	( 3,822)	54,145

Village of Central Lake  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Year Ended February 28, 2007  
(Continued)

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
Net changes in fund balances	4,714	53,253	( 3,822)	54,145
Fund balances - beginning	<u>105,461</u>	<u>(39,980)</u>	<u>131,687</u>	<u>197,168</u>
Fund balances - ending	<u>\$ 110,175</u>	<u>\$ 13,273</u>	<u>\$127,865</u>	<u>\$ 251,313</u>

See notes to financial statements



**Village of Central Lake**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended February 28, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 54,145

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	49,747
Depreciation	( 35,113)
Prior period adjustment to capital assets	( 3,061)

Internal service funds are used by management to charge the costs of equipment to individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>13,510</u>
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Change in net assets of governmental activities	<u><u>\$ 79,228</u></u>
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See notes to financial statements

Village of Central Lake  
Statement of Net Assets  
Proprietary Funds  
February 28, 2007

	<u>Business-type Activities -Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Fund Current Year</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 51,272	\$ 48,707
Receivables, net	26,343	5,535
Inventory		
Due from other funds		
Total current assets	<u>77,615</u>	<u>54,242</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Capital assets:		
Land	38,850	38,850
Machinery & equipment	7,045	7,045
Sewer system	826,571	911,819
Water system		
Less accumulated depreciation	<u>( 302,895)</u>	<u>( 320,307)</u>
Total noncurrent assets	<u>569,571</u>	<u>637,407</u>
Total assets	<u>647,186</u>	<u>691,649</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	107	566
Accrued interest		
Customer deposits	3,134	3,134
Due to other funds		
Bonds payable		
Total current liabilities	<u>3,241</u>	<u>3,700</u>
Noncurrent liabilities:		
Bonds payable		
Total liabilities	<u>3,241</u>	<u>3,700</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	569,571	637,407
Restricted for debt service		
Unrestricted	<u>74,374</u>	<u>50,542</u>
Total net assets	<u>\$ 643,945</u>	<u>\$ 687,949</u>

See notes to financial statements

**Business-type Activities**  
**-Enterprise Funds**

**Governmental Activities-**

Water Fund		Totals	Internal Service Funds	
Prior Year	Current Year		Prior Year	Current Year
\$ 185,702	\$ 272,505	\$ 321,212	\$ 79,234	\$ 70,309
4,649	25,941	31,476		
9,000	9,000	9,000		
50,000				
<u>249,351</u>	<u>307,446</u>	<u>361,688</u>	<u>79,234</u>	<u>70,309</u>
67,245	72,730	72,730		
12,220	12,220	51,070		
198,259	198,259	205,304	426,237	475,529
		911,819		
954,389	954,389	954,389		
( 387,083)	( 410,675)	( 730,982)	( 327,636)	( 356,024)
<u>845,030</u>	<u>826,923</u>	<u>1,464,330</u>	<u>98,601</u>	<u>119,505</u>
<u>1,094,381</u>	<u>1,134,369</u>	<u>1,826,018</u>	<u>177,835</u>	<u>189,814</u>
858	909	1,475	5,362	3,831
3,142	2,948	2,948		
		3,134		
6,271	6,271	6,271		
<u>20,000</u>	<u>25,000</u>	<u>25,000</u>		
<u>30,271</u>	<u>35,128</u>	<u>38,828</u>	<u>5,362</u>	<u>3,831</u>
<u>305,000</u>	<u>280,000</u>	<u>280,000</u>		
<u>335,271</u>	<u>315,128</u>	<u>318,828</u>	<u>5,362</u>	<u>3,831</u>
452,785	449,193	1,086,600	98,601	119,505
67,245	72,730	72,730		
<u>239,080</u>	<u>297,318</u>	<u>347,860</u>	<u>73,872</u>	<u>66,478</u>
<u>\$ 759,110</u>	<u>\$ 819,241</u>	<u>\$ 1,507,190</u>	<u>\$ 172,473</u>	<u>\$ 185,983</u>

Village of Central Lake  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended February 28, 2007

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Prior Year</u>	<u>Sewer Year</u> <u>Current Year</u>
Operating revenues:		
Taxes & administrative fees	\$	\$
Charges for services	22,655	23,965
Equipment rentals		
Other services		
Total operating revenues	<u>22,655</u>	<u>23,965</u>
Operating expenses:		
Depreciation	16,560	17,412
Wages and fringes	10,230	10,481
Repairs & maintenance	5,075	5,165
Gas & oil		
Equipment rental	3,746	3,234
Contracted services	1,355	5,200
Utilities	1,360	1,259
Miscellaneous	1,498	2,126
Insurance	117	
Small equipment purchases	1,503	
Office supplies & postage	154	146
Printing & publishing		
Education & training		182
Total operating expenses	<u>41,598</u>	<u>45,205</u>
Operating income(loss)	<u>( 18,943)</u>	<u>( 21,240)</u>
Nonoperating revenues(expenses):		
Transfer in(out)		10,453
Special assessments	1,941	5,625
State grants		68,306
Miscellaneous revenue		
Sale of assets		
Investment earnings	1,276	2,250
Interest expense		
Total nonoperating revenue(expenses)	<u>3,217</u>	<u>86,634</u>
Change in net assets	( 15,726)	65,394
Prior period adjustment		( 21,390)
Total net assets-beginning	<u>659,671</u>	<u>643,945</u>
Total net assets-ending	<u>\$ 643,945</u>	<u>\$ 687,949</u>

See notes to financial statements

**Business-type Activities**  
**-Enterprise Funds**

**Governmental Activities-**

<b>Water Fund</b>			<b>Internal Service Funds</b>		
<b>Prior Year</b>	<b>Current Year</b>	<b>Totals</b>	<b>Prior Year</b>	<b>Current Year</b>	
\$ 48,178	\$ 50,610	\$ 50,610	\$	\$	
82,798	97,296	121,261			
			48,371	59,585	
<u>1,036</u>	<u>2,084</u>	<u>2,084</u>			
<u>132,012</u>	<u>149,990</u>	<u>173,955</u>	<u>48,371</u>	<u>59,585</u>	
23,932	23,592	41,004	22,721	28,388	
21,079	24,965	35,446			
13,502	15,215	20,380	9,928	4,128	
			10,647	15,636	
8,383	10,338	13,572			
5,287	1,069	6,269			
10,840	6,587	7,846			
950	1,899	4,025	113	106	
153			1,132		
			3,594	1,631	
1,747	536	682			
423	530	530		36	
<u>279</u>	<u>1,103</u>	<u>1,285</u>			
<u>86,575</u>	<u>85,834</u>	<u>131,039</u>	<u>48,135</u>	<u>49,925</u>	
<u>45,437</u>	<u>64,156</u>	<u>42,916</u>	<u>236</u>	<u>9,660</u>	
	( 10,453)				
		5,625			
		68,306			
197	750	750		33	
				756	
5,598	13,351	15,601	2,088	3,061	
<u>( 19,052)</u>	<u>( 17,689)</u>	<u>( 17,689)</u>			
<u>( 13,257)</u>	<u>( 14,041)</u>	<u>72,593</u>	<u>2,088</u>	<u>3,850</u>	
32,180	50,115	115,509	2,324	13,510	
	10,016	( 11,374)			
<u>726,930</u>	<u>759,110</u>	<u>1,403,055</u>	<u>170,149</u>	<u>172,473</u>	
<u>\$ 759,110</u>	<u>\$ 819,241</u>	<u>\$ 1,507,190</u>	<u>\$ 172,473</u>	<u>\$ 185,983</u>	

Village of Central Lake  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2007

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
<b>CASH FLOWS FROM OPERATING</b>		
<b>ACTIVITIES</b>		
Receipts from taxes and adm. fees	\$	\$
Receipts from customers and users	26,709	23,383
Payments to suppliers	( 14,584)	( 16,853)
Payments to employees	( 10,230)	( 10,481)
Net cash provided (used) by operating activities	<u>1,895</u>	<u>( 3,951)</u>
<b>CASH FLOWS FROM NONCAPITAL</b>		
<b>FINANCING ACTIVITIES</b>		
Transfer in(out)		10,453
Due from other funds		
Miscellaneous revenue(expense)	<u></u>	<u></u>
Net cash provided (used) by noncapital financing activities	<u></u>	<u>10,453</u>
<b>CASH FLOWS FROM CAPITAL AND</b>		
<b>RELATED FINANCING</b>		
<b>ACTIVITIES</b>		
State grants		68,306
Sale of assets		
Equipment purchases		( 85,248)
Special assessments	1,941	5,625
Interest expense		
Payment of principal on long-term debt	<u></u>	<u></u>
Net cash provided (used) by capital and related financing activities	<u>1,941</u>	<u>( 11,317)</u>
<b>CASH FLOWS FROM INVESTING</b>		
<b>ACTIVITIES</b>		
Restricted cash		
Interest received	<u>1,276</u>	<u>2,250</u>
Net cash provided (used) by investing activities	<u>1,276</u>	<u>2,250</u>

**Business-type Activities**  
**-Enterprise Funds**

**Governmental Activities-**

<b>Water Fund</b>		<b>Totals</b>	<b>Internal Service Funds</b>	
<b><u>Prior Year</u></b>	<b><u>Current Year</u></b>		<b><u>Prior Year</u></b>	<b><u>Current Year</u></b>
\$ 48,178	\$ 50,610	\$ 50,610	\$	\$
83,315	88,104	111,487	48,371	59,585
( 40,721)	( 37,226)	( 54,079)	( 19,614)	( 23,068)
<u>( 21,079)</u>	<u>( 24,965)</u>	<u>( 35,446)</u>		
 <u>69,693</u>	 <u>76,523</u>	 <u>72,572</u>	 <u>28,757</u>	 <u>36,517</u>
	( 10,453)			
	50,000	50,000		
<u>197</u>	<u>750</u>	<u>750</u>		<u>33</u>
 <u>197</u>	 <u>40,297</u>	 <u>50,750</u>	 <u></u>	 <u>33</u>
		68,306		
( 19,245)		( 85,248)	( 23,701)	756
		5,625		( 49,292)
	( 17,883)	( 17,883)		
<u>( 20,000)</u>	<u>( 20,000)</u>	<u>( 20,000)</u>		
 <u>( 39,245)</u>	 <u>( 37,883)</u>	 <u>( 49,200)</u>	 <u>( 23,701)</u>	 <u>( 48,536)</u>
( 3,733)	( 5,485)	( 5,485)		
<u>5,598</u>	<u>13,351</u>	<u>15,601</u>	<u>2,088</u>	<u>3,061</u>
 <u>1,865</u>	 <u>7,866</u>	 <u>10,116</u>	 <u>2,088</u>	 <u>3,061</u>

Village of Central Lake  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended February 28, 2007  
 (Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	5,112	( 2,565)
Cash and cash equivalents, beginning	<u>46,160</u>	<u>51,272</u>
Cash and cash equivalents, ending	<u>\$ 51,272</u>	<u>\$ 48,707</u>

See notes to financial statements



**Business-type Activities**  
**-Enterprise Funds**

**Governmental Activities-**

Water Fund		<u>Totals</u>	Internal Service Funds	
<u>Prior Year</u>	<u>Current Year</u>		<u>Prior Year</u>	<u>Current Year</u>
32,510	86,803	84,238	7,144	( 8,925)
<u>153,192</u>	<u>185,702</u>	<u>236,974</u>	<u>72,090</u>	<u>79,234</u>
<u>\$ 185,702</u>	<u>\$ 272,505</u>	<u>\$ 321,212</u>	<u>\$ 79,234</u>	<u>\$ 70,309</u>

Village of Central Lake  
Statement of Cash Flows  
Proprietary funds  
For the Year Ended February 28, 2007  
(Continued)

Business-type Activities - Enterprise Funds			
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	\$( 21,240)	\$ 64,156	\$ 42,916
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	17,412	23,592	41,004
Prior period adjustment	( 21,390)	10,016	( 11,374)
(Increase) decrease in accounts receivable	20,808	( 21,292)	( 484)
Increase (decrease) in accounts payable	<u>459</u>	<u>51</u>	<u>510</u>
Total adjustments	<u>17,289</u>	<u>12,367</u>	<u>29,656</u>
Net cash provided (used) by operating activities	<u><u>\$( 3,951)</u></u>	<u><u>\$ 76,523</u></u>	<u><u>\$ 72,572</u></u>

See notes to financial statements

Governmental  
Activities-  
Internal  
Service  
Funds

\$ 9,660

28,388

..( 1,531)

26,857

\$ 36,517

**Village of Central Lake**  
**Notes to the Financial Statements**  
**February 28, 2007**

**I. Summary of significant accounting policies**

The financial statements of the Village of Central Lake (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

**A. Reporting entity**

The Village is governed by an elected seven-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Antrim County, which advances the Village 100% for the delinquent taxes.

The 2006 taxable valuation of the Village totaled \$25,509,774, on which ad valorem taxes levied consisted of 7.5231 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. Also, the Village has a street and water millage levies that were voted for by the Village residents of 2.4769 and 2.0000 mills, respectively.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer and water service to the general public on a continuing basis be financed or recovered primarily through user charges.

*Internal service funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, and other charges between the government's sewer and water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and

services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets or equity**

##### **1. Deposits and investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

##### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable

allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

### ***3. Inventories and prepaid items***

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### ***4. Restricted assets***

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Peoples State Bank in a certificate of deposit valued at \$54,139 and a checking account with a balance of \$18,257 as of February 28, 2007. These monies are reserved in the Water Fund for payment of future debt payments.

### ***5. Capital assets***

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated



useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Buildings & improvements	30
Water system	10-50
Sewer system	50
Parks & recreation	10
Campground	10
Machinery & equipment	5-15
Streetscape improvements	20

#### **6. *Compensated absences***

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

#### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### **8. *Fund equity***

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **9. *Comparative data/reclassifications***

Comparative total data for the prior year have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **II. *Stewardship, compliance, and accountability***

### **A. *Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

## **B. Excess of expenditures over appropriations**

For the year ended February 28, 2007, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
President	\$ 2,600	\$ 4,134	\$ ( 1,534)
Professional services	6,450	6,750	( 300)
Clerk/treasurer	36,900	37,989	( 1,089)
Hall & grounds	9,800	12,494	( 2,694)
Public Safety:			
Crime control	62,750	70,978	( 8,778)
Public Works:			
Sidewalks	12,200	17,787	( 5,587)
Recreation & culture:			
Campground	25,900	34,111	( 8,211)
Other:			
Health insurance	40,000	44,397	( 4,397)
Liability insurance	15,000	15,119	( 119)
Major Street Fund:			
Public works	61,500	82,309	(20,809)
Local Street Fund:			
Public works	23,800	24,877	( 1,077)

These overexpenditures were funded by the General Fund, Major Street, and Local Street Fund's fund balances, respectively.

## **III. Detailed notes on all funds**

### **A. Deposits and investments**

#### **Deposits**

The Village's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at February 28, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Village's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	<u>Custody Credit Risk</u>			Total Carrying Value
		<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	
Demand deposits	\$260,157	\$100,000	\$160,157	\$	\$218,109
Certificate of deposits	<u>473,905</u>	<u>172,730</u>	<u>301,175</u>		<u>473,905</u>
	<u>\$734,062</u>	<u>\$272,730</u>	<u>\$461,332</u>	<u>\$</u>	<u>\$692,014</u>

### **Investments**

The Village did not have any investments as of February 28, 2007.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 218,109
Certificate of deposits	<u>473,905</u>
Total	<u>\$ 692,014</u>
Cash and cash equivalents:	
General, major street, and local street funds	\$ 269,811
Sewer and water funds	393,942
Equipment fund	70,309
Checks written in excess of deposits	<u>( 42,048)</u>
Total	<u>\$ 692,014</u>

### **B. Receivables**

Receivables as of year end for the government's individual major funds consist of \$12,126 and \$4,478, respectively in the major street and local street funds. These receivables represent monies owed from the State of Michigan for state Act 51 monies, local road plan and snow removal costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$31,476.

### C. Capital assets

Capital asset activity for the year ended February 28, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 16,400	\$	\$	\$ 16,400
Total capital assets, not being depreciated	<u>16,400</u>			<u>16,400</u>
Capital assets, being depreciated:				
Buildings & improvements	3,500			3,500
Machinery & equipment	403,636	29,070		432,706
Vehicles	22,601	20,222		42,823
Parks & recreation	27,005	11,720		38,725
Campground	5,079			5,079
Streetscape improvements	<u>617,529</u>	<u>38,027</u>		<u>655,556</u>
Total capital assets being depreciated	<u>1,079,350</u>	<u>99,039</u>		<u>1,178,389</u>
Less accumulated depreciation for:				
Buildings & improvements	( 3,500)			( 3,500)
Machinery & equipment	(325,376)	( 21,846)		(347,222)
Vehicles	( 2,260)	( 6,542)		( 8,802)
Parks & recreation	( 24,304)	( 3,287)		( 27,591)
Campground	( 5,079)			( 5,079)
Streetscape improvements	<u>( 26,744)</u>	<u>( 31,826)</u>		<u>( 58,570)</u>
Total accumulated depreciation	<u>(387,263)</u>	<u>( 63,501)</u>		<u>(450,764)</u>
Total capital assets, being depreciated, net	<u>692,087</u>	<u>35,538</u>		<u>727,625</u>
Governmental activities capital assets, net	<u>\$ 708,487</u>	<u>\$ 35,538</u>	<u>\$</u>	<u>\$ 744,025</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities (Enterprise Funds)</b>				
Capital assets, not being depreciated:				
Land	\$ 51,070	\$	\$	\$ 51,070
Capital assets, being depreciated:				
Machinery & equipment	205,304			205,304
Sewer collection system	826,571	85,248		911,819
Water distribution system	<u>954,389</u>			<u>954,389</u>
Total capital assets, being depreciated	<u>1,986,264</u>	<u>85,248</u>		<u>2,071,512</u>
Less accumulated depreciation for:				
Machinery & equipment	( 168,178)	( 5,632)		( 173,810)
Sewer collection system	( 295,852)	( 17,412)		( 313,264)
Water distribution system	<u>( 225,948)</u>	<u>( 17,960)</u>		<u>( 243,908)</u>
Total accumulated depreciation	<u>( 689,978)</u>	<u>( 41,004)</u>		<u>( 730,982)</u>
Total capital assets, being depreciated, net	<u>1,296,286</u>	<u>44,244</u>		<u>1,340,530</u>
Business-type activities capital assets, net	<u>\$1,347,356</u>	<u>\$ 44,244</u>	<u>\$</u>	<u>\$1,391,600</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Parks & recreation	\$ 3,287
Public works	31,826
Internal service fund	<u>28,388</u>
Total depreciation expense-governmental activities	<u>\$ 63,501</u>
Business-type activities:	
Sewer	\$ 17,412
Water	<u>23,592</u>
Total depreciation expense-business-type activities	<u>\$ 41,004</u>

**D. Interfund receivables, payables, and transfers**

Interfund transfers:

	Transfer In:		
	Major Street Fund	Sewer Fund	Total
Transfer out:			
Local Street fund	\$ 70,000	\$ -	\$ 70,000
Water fund	-	10,453	10,453
Total transfers in	<u>\$ 70,000</u>	<u>\$ 10,453</u>	<u>\$ 80,453</u>

The composition of interfund balances as of February 28, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	<u>\$ 6,271</u>

**E. Long-term debt**Revenue bonds

The Village issued bonds on February 4, 1999 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$460,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.8%	<u>\$ 305,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 25,000	\$ 17,145
2009	25,000	15,808
2010	25,000	14,445
2011	25,000	13,070
2012	30,000	11,682
2013-2016	<u>175,000</u>	<u>31,338</u>
Total	<u>\$ 305,000</u>	<u>\$ 103,488</u>

### Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>				
Bonds payable:				
Revenue				
bonds	<u>\$ 325,000</u>	<u>\$ ( 20,000)</u>	<u>\$ 305,000</u>	<u>\$ 25,000</u>

### **F. Segment information**

The Village issued revenue bonds on February 4, 1999 to help finance the water supply system. Summary financial information for the water department is presented below.

### **CONDENSED STATEMENT OF NET ASSETS**

#### **Assets:**

Current assets	\$ 307,446
Restricted assets	72,730
Capital assets	<u>754,193</u>
Total assets	<u>1,134,369</u>

#### **Liabilities:**

Current liabilities	35,128
Bonds payable-noncurrent	<u>280,000</u>
Total liabilities	<u>315,128</u>

#### **Net assets:**

Invested in capital assets, net of related debt	449,193
Restricted	72,730
Unrestricted	<u>297,318</u>
Total net assets	<u>\$ 819,241</u>



**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS**

Water charges (pledged against bonds)	\$ 99,380
Taxes & administrative fees	50,610
Depreciation expense	( 23,592)
Other operating expenses	<u>( 62,242)</u>
Operating income	64,156
Nonoperating revenues(expenses):	
Operating transfers (out)	( 10,453)
Investment earnings	13,351
Miscellaneous revenue	750
Interest expense	<u>( 17,689)</u>
Change in net assets	50,115
Prior period adjustment	10,016
Beginning net assets	<u>759,110</u>
Ending net assets	<u><u>\$ 819,241</u></u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating activities	\$ 76,523
Noncapital financing activities	40,297
Capital and related financing activities	( 37,883)
Investing activities	<u>7,866</u>
Net increase (decrease)	86,803
Beginning cash and cash equivalents	<u>185,702</u>
Ending cash and cash equivalents	<u><u>\$ 272,505</u></u>

**G. Schedule of invested in capital assets, net of related  
debt**

Changes in invested in capital assets in the enterprise fund type for the year ended February 28, 2007, consist of the following:

Balance - beginning	\$ 1,022,356
Investment in fixed assets, net of depreciation paid for from operations net of depreciation	<u>64,244</u>
Balance - ending	<u><u>\$ 1,086,600</u></u>

#### **IV. Other information**

##### **A. Risk management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

##### **B. Pension plan**

The Village designated \$14,209 for Individual Retirement Accounts (IRA's) during the current fiscal year for several of employees and was disbursed after February 28, 2007.

The Village adopted a defined contribution pension plan (MERS) after February 28, 2007. Under this plan, the Village will contribute 8% of the eligible employees wages to the pension plan.

##### **C. Prior period adjustments**

The Sewer Fund and Water Fund accounts receivable to adjusted to the actual amounts by \$(21,390) and \$10,016, respectively for the fiscal year ended February 28, 2006.

## **Required Supplementary Information**

Village of Central Lake  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$181,300	\$ 181,300	\$193,465	\$ 12,165
Intergovernmental revenue from state:				
State revenue sharing	85,000	85,000	88,597	3,597
Liquor license fees	1,000	1,000	1,296	296
Fines and forfeits	2,000	2,000	2,038	38
Interest earnings	1,000	1,000	2,702	1,702
Rents and royalties	54,100	54,100	43,518	( 10,582)
Other revenue:				
Miscellaneous	500	500	903	403
Sale of assets	1,000	1,000	50	( 950)
All other refunds and rebates			969	969
Total revenues	<u>325,900</u>	<u>325,900</u>	<u>333,538</u>	<u>7,638</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Village council	<u>9,500</u>	<u>9,500</u>	<u>9,197</u>	<u>303</u>
General government:				
President	2,600	2,600	4,134	( 1,534)
Elections	2,000	2,000		2,000
Professional services	6,450	6,450	6,750	( 300)
Clerk/treasurer	36,900	36,900	37,989	( 1,089)
Hall & grounds	9,800	9,800	12,494	( 2,694)
All other governmental	<u>3,000</u>	<u>3,000</u>	<u>1,767</u>	<u>1,233</u>
Total general government	<u>60,750</u>	<u>60,750</u>	<u>63,134</u>	<u>( 2,384)</u>
Public safety:				
Crime control	<u>62,200</u>	<u>62,200</u>	<u>70,978</u>	<u>( 8,778)</u>

Village of Central Lake  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Current:				
Public works:				
Sidewalks	12,200	12,200	17,787	( 5,587)
Department of public works	42,300	42,300	33,213	9,087
Street lights	<u>16,500</u>	<u>16,500</u>	<u>9,925</u>	<u>6,575</u>
Total public works	<u>71,000</u>	<u>71,000</u>	<u>60,925</u>	<u>10,075</u>
Community/economic development:				
Planning commission	<u>9,150</u>	<u>9,150</u>	<u>2,758</u>	<u>6,392</u>
Recreation & culture:				
Parks & recreation	31,000	31,000	23,147	7,853
Campground	<u>25,900</u>	<u>25,900</u>	<u>34,111</u>	<u>( 8,211)</u>
Total recreation & culture	<u>56,900</u>	<u>56,900</u>	<u>57,258</u>	<u>( 358)</u>
Other:				
Insurances:				
Unemployment Workmen's compensation	1,000	1,000	58	942
Health insurance	5,000	5,000	5,000	
Liability insurance	40,000	40,000	44,397	( 4,397)
	<u>15,000</u>	<u>15,000</u>	<u>15,119</u>	<u>( 119)</u>
Total other	<u>61,000</u>	<u>61,000</u>	<u>64,574</u>	<u>( 3,574)</u>
Total expenditures	<u>330,500</u>	<u>330,500</u>	<u>328,824</u>	<u>1,676</u>

Village of Central Lake  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED):				
Net change in fund				
balance	( 4,600)	( 4,600)	4,714	9,314
Fund balance -				
beginning	<u>          </u>	<u>          </u>	<u>105,461</u>	<u>105,461</u>
Fund balance -				
ending	<u><u>\$ ( 4,600)</u></u>	<u><u>\$ ( 4,600)</u></u>	<u><u>\$110,175</u></u>	<u><u>\$ 114,775</u></u>

See notes to financial statements

Village of Central Lake  
Major Street Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenue from state:				
Streets & highways	\$ 54,500	\$ 54,500	\$ 59,330	\$ 4,830
Metro Act payment	3,500	3,500	3,660	160
Interest earnings	1,000	1,000	72	( 928)
Reimbursements	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	
Total revenues	<u>61,500</u>	<u>61,500</u>	<u>65,562</u>	<u>4,062</u>
<b>EXPENDITURES</b>				
Public works:				
Administration	500	500	807	( 307)
Routine maintenance	19,500	19,500	29,628	(10,128)
Winter maintenance	17,000	17,000	15,080	1,920
Traffic services	500	500	575	( 75)
Streetscape improvements	<u>24,000</u>	<u>24,000</u>	<u>36,219</u>	<u>(12,219)</u>
Total expenditures	<u>61,500</u>	<u>61,500</u>	<u>82,309</u>	<u>(20,809)</u>
Excess(deficiency) of revenues over (under) expenditures			(16,747)	(16,747)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			<u>70,000</u>	<u>70,000</u>
Net change in fund balance			53,253	53,253
Fund balance - beginning			<u>(39,980)</u>	<u>(39,980)</u>
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$ 13,273</u>	<u>\$ 13,273</u>

See notes to financial statements

Village of Central Lake  
Local Street Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 48,000	\$ 48,000	\$ 62,710	\$ 14,710
Intergovernmental revenue from state:				
Streets & highways	26,000	26,000	22,523	( 3,477)
Interest earnings	<u>1,500</u>	<u>1,500</u>	<u>5,822</u>	<u>4,322</u>
Total revenues	<u>75,500</u>	<u>75,500</u>	<u>91,055</u>	<u>15,555</u>
<b>EXPENDITURES</b>				
Public works:				
Administration	500	500	807	( 307)
Routine maintenance	10,500	10,500	11,401	( 901)
Winter maintenance	10,500	10,500	10,728	( 228)
Traffic services	300	300	133	167
Streetscape improvements	<u>2,000</u>	<u>2,000</u>	<u>1,808</u>	<u>192</u>
Total expenditures	<u>23,800</u>	<u>23,800</u>	<u>24,877</u>	<u>( 1,077)</u>
Excess (deficiency) of revenues over (under) expenditures	51,700	51,700	66,178	14,478
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)			( 70,000)	( 70,000)
Net change in fund balance	51,700	51,700	( 3,822)	( 55,522)
Fund balance - beginning			<u>131,687</u>	<u>131,687</u>
Fund balance - ending	<u>\$ 51,700</u>	<u>\$ 51,700</u>	<u>\$127,865</u>	<u>\$ 76,165</u>

See notes to financial statements



## COMMENTS AND RECOMMENDATIONS

Members of the Village Council  
Village of Central Lake  
Central Lake, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments and recommendations for the year ended February 28, 2007.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Council Board and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

June 22, 2007